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REFERENCE TITLE: **vehicle transfer tax; DPS funding.**

State of Arizona  
Senate  
Forty-sixth Legislature  
Second Regular Session  
2004

## **SB 1056**

Introduced by  
Senator Mead

### **AN ACT**

**AMENDING TITLE 28, CHAPTER 16, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 7;  
AMENDING TITLE 41, CHAPTER 12, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING  
SECTION 41-1720; AMENDING SECTIONS 42-5001 AND 42-5029, ARIZONA REVISED  
STATUTES; RELATING TO VEHICLE TRANSFER TAX.**

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 28, chapter 16, Arizona Revised Statutes, is amended  
3 by adding article 7, to read:

4 ARTICLE 7. VEHICLE TRANSFER TAX

5 28-6031. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "REGISTERED" INCLUDES BEING TITLED, LICENSED, CERTIFICATED OR  
8 OTHERWISE NUMBERED BY AN AGENCY OF THIS STATE.

9 2. "REGISTERING OFFICER" MEANS ANY PERSON WHO IS RESPONSIBLE FOR  
10 PROCESSING APPLICATIONS FOR REGISTRATION OR TRANSFER OF REGISTRATION OF  
11 VEHICLES AND INCLUDES THE DIRECTOR OR AN EMPLOYEE OF THE DEPARTMENT OF  
12 TRANSPORTATION.

13 3. "RETAILER" MEANS A RETAILER AS DEFINED IN SECTION 42-5001 WHO IS  
14 SUBJECT TO THE TRANSACTION PRIVILEGE TAX OR A RETAILER WHO IS REGISTERED WITH  
15 THE DEPARTMENT OF REVENUE PURSUANT TO SECTION 42-5154.

16 4. "VEHICLE" MEANS A CLASS OF PERSONAL PROPERTY CONSISTING OF VEHICLES  
17 AS DEFINED IN SECTION 28-101.

18 28-6032. Levy of tax

19 A. THERE IS LEVIED AND SHALL BE COLLECTED AS PROVIDED IN THIS ARTICLE  
20 A TAX ON THE TRANSFER OF TITLE OR REGISTRATION OF ANY VEHICLE THAT IS  
21 REQUIRED BY LAW TO BE REGISTERED AND THAT IS TRANSFERRED FROM A PERSON OTHER  
22 THAN A RETAILER.

23 B. THE TRANSFEREE OF THE VEHICLE SHALL PAY THE TAX LEVIED BY THIS  
24 SECTION AT A RATE OF FIVE PER CENT OF THE SALES PRICE OF THE VEHICLE.

25 28-6033. Payment and collection of tax; receipt of tax

26 A. THE REGISTERING OFFICER SHALL COLLECT THE TAX IMPOSED BY THIS  
27 ARTICLE FROM THE TRANSFEREE AT THE TIME OF APPLICATION FOR A TRANSFER OF  
28 TITLE OR REGISTRATION OF THE VEHICLE.

29 B. THE REGISTERING OFFICER SHALL ISSUE A RECEIPT, IN A FORM PRESCRIBED  
30 BY THE DEPARTMENT, FOR THE AMOUNT OF TAX PAID.

31 C. THE REGISTERING OFFICER SHALL NOT PROCESS AN APPLICATION FOR  
32 TRANSFER OF TITLE OR REGISTRATION OF ANY VEHICLE ON WHICH A TAX IS IMPOSED  
33 UNDER THIS ARTICLE UNTIL THE TAX HAS BEEN PAID.

34 28-6034. Exempt transactions

35 THE FOLLOWING TRANSACTIONS ARE EXEMPT FROM THE TAX IMPOSED BY THIS  
36 ARTICLE:

37 1. TRANSFERS OF VEHICLES WITH A SALES PRICE OF SEVEN HUNDRED FIFTY  
38 DOLLARS OR LESS.

39 2. PURCHASES BY A FOREIGN GOVERNMENT, THE UNITED STATES, THIS STATE OR  
40 ANY OF ITS POLITICAL SUBDIVISIONS OR AN INDIAN TRIBAL GOVERNMENT.

41 3. PURCHASES BY A VEHICLE DEALER, WRECKER OR TOWING COMPANY FOR RESALE  
42 OR SALE OF COMPONENT PARTS.

43 4. ACQUISITIONS BY INSURANCE COMPANIES PURSUANT TO SECTION 28-2091.

44 5. ACQUISITIONS BY REPOSSESSING LIENHOLDERS, POSSESSORY LIENHOLDERS,  
45 GOVERNMENTAL AGENCIES BY OPERATION OF LAW OR JUDGMENT DEBTORS.

1           6. TRANSFER OF TITLE OR REGISTRATION OF A VEHICLE BETWEEN INDIVIDUALS  
2 OF THE SAME IMMEDIATE FAMILY. FOR THE PURPOSES OF THIS PARAGRAPH, "IMMEDIATE  
3 FAMILY" INCLUDES THE TRANSFEREE, THE TRANSFEREE'S SPOUSE AND ANY CHILD OF  
4 EITHER SPOUSE.

5           7. TRANSFER OF TITLE OR REGISTRATION BETWEEN DIVISIONS, SUBSIDIARIES  
6 OR OTHER SUBUNITS OF THE SAME CORPORATION, PARTNERSHIP, FIRM OR OTHER PRIVATE  
7 COMMERCIAL ENTITY.

8           28-6035. Disposition of revenues

9           REGISTERING OFFICERS SHALL DEPOSIT, PURSUANT TO SECTIONS 35-146 AND  
10 35-147, ALL MONIES COLLECTED PURSUANT TO THIS ARTICLE IN THE PUBLIC SAFETY  
11 ENHANCEMENT FUND ESTABLISHED BY SECTION 41-1720.

12           Sec. 2. Title 41, chapter 12, article 2, Arizona Revised Statutes, is  
13 amended by adding section 41-1720, to read:

14           41-1720. Public safety enhancement fund

15           A. THE PUBLIC SAFETY ENHANCEMENT FUND IS ESTABLISHED CONSISTING OF  
16 MONIES LEVIED AND COLLECTED PURSUANT TO TITLE 28, CHAPTER 16, ARTICLE 7. THE  
17 DIRECTOR SHALL ADMINISTER THE FUND. ON NOTICE FROM THE DIRECTOR, THE STATE  
18 TREASURER SHALL INVEST AND DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION  
19 35-313, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED TO THE FUND.  
20 MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING  
21 TO LAPSING OF APPROPRIATIONS.

22           B. THE DIRECTOR SHALL SPEND MONIES IN THE FUND FOR THE FOLLOWING  
23 PURPOSES:

- 24           1. PURCHASING COMMUNICATION EQUIPMENT FOR THE DEPARTMENT.
- 25           2. INCREASING THE SALARIES FOR PEACE OFFICERS IN THE DEPARTMENT.
- 26           3. RECRUITING AND HIRING ADDITIONAL PEACE OFFICERS FOR THE DEPARTMENT.

27           Sec. 3. Section 42-5001, Arizona Revised Statutes, is amended to read:

28           42-5001. Definitions

29           In this article and article 2 of this chapter, unless the context  
30 otherwise requires:

31           1. "Business" includes all activities or acts, personal or corporate,  
32 engaged in or caused to be engaged in with the object of gain, benefit or  
33 advantage, either directly or indirectly, but not casual activities or sales.

34           2. "Distribution base" means the portion of the revenues derived from  
35 the tax levied by this article and articles 5, 8 and 9 of this chapter  
36 designated for distribution to counties, municipalities and other purposes  
37 according to section 42-5029, subsection D.

38           3. "Engaging", when used with reference to engaging or continuing in  
39 business, includes the exercise of corporate or franchise powers.

40           4. "Gross income" means the gross receipts of a taxpayer derived from  
41 trade, business, commerce or sales and the value proceeding or accruing from  
42 the sale of tangible personal property or service, or both, and without any  
43 deduction on account of losses.

44           5. "Gross proceeds of sales" means the value proceeding or accruing  
45 from the sale of tangible personal property without any deduction on account

1 of the cost of property sold, expense of any kind or losses, but cash  
2 discounts allowed and taken on sales are not included as gross income.

3 6. "Gross income" and "gross proceeds of sales" do not include goods,  
4 wares or merchandise, or value thereof, returned by customers if the sale  
5 price is refunded either in cash or by credit, nor the value of merchandise  
6 traded in on the purchase of new merchandise, **EXCEPT FOR MOTOR VEHICLES THAT**  
7 **ARE TRADED IN ON THE PURCHASE OF A DIFFERENT MOTOR VEHICLE**, when the trade-in  
8 allowance is deducted from the sales price of the new merchandise before  
9 completion of the sale.

10 7. "Gross receipts" means the total amount of the sale, lease or  
11 rental price, as the case may be, of the retail sales of retailers, including  
12 any services that are a part of the sales, valued in money, whether received  
13 in money or otherwise, including all receipts, cash, credits and property of  
14 every kind or nature, and any amount for which credit is allowed by the  
15 seller to the purchaser without any deduction from the amount on account of  
16 the cost of the property sold, materials used, labor or service performed,  
17 interest paid, losses or any other expense. Gross receipts do not include  
18 cash discounts allowed and taken nor the sale price of property returned by  
19 customers if the full sale price is refunded either in cash or by credit.

20 8. "Person" or "company" includes an individual, firm, partnership,  
21 joint venture, association, corporation, estate or trust, this state, any  
22 county, city, town, district, other than a school district, or other  
23 political subdivision and any other group or combination acting as a unit,  
24 and the plural as well as the singular number.

25 9. "Qualifying community health center":

26 (a) Means an entity that is recognized as nonprofit under section  
27 501(c)(3) of the United States internal revenue code, that is a  
28 community-based, primary care clinic that has a community-based board of  
29 directors and that is either:

30 (i) The sole provider of primary care in the community.

31 (ii) A nonhospital affiliated clinic that is located in a federally  
32 designated medically underserved area in this state.

33 (b) Includes clinics that are being constructed as qualifying  
34 community health centers.

35 10. "Qualifying health care organization" means an entity that is  
36 recognized as nonprofit under section 501(c) of the United States internal  
37 revenue code and that uses, saves or invests at least eighty per cent of all  
38 monies that it receives from all sources each year only for health and  
39 medical related educational and charitable services, as documented by annual  
40 financial audits prepared by an independent certified public accountant,  
41 performed according to generally accepted accounting standards and filed  
42 annually with the department. Monies that are used, saved or invested to  
43 lease, purchase or construct a facility for health and medical related  
44 education and charitable services are included in the eighty per cent  
45 requirement.

1           11. "Qualifying hospital" means any of the following:

2           (a) A licensed hospital which is organized and operated exclusively  
3 for charitable purposes, no part of the net earnings of which inures to the  
4 benefit of any private shareholder or individual.

5           (b) A licensed nursing care institution or a licensed residential care  
6 institution or a residential care facility operated in conjunction with a  
7 licensed nursing care institution or a licensed kidney dialysis center, which  
8 provides medical services, nursing services or health related services and is  
9 not used or held for profit.

10          (c) A hospital, nursing care institution or residential care  
11 institution which is operated by the federal government, this state or a  
12 political subdivision of this state.

13          (d) A facility that is under construction and that on completion will  
14 be a facility under subdivision (a), (b) or (c) of this paragraph.

15          12. "Retailer" includes every person engaged in the business classified  
16 under the retail classification pursuant to section 42-5061 and, when in the  
17 opinion of the department it is necessary for the efficient administration of  
18 this article, includes dealers, distributors, supervisors, employers and  
19 salesmen, representatives, peddlers or canvassers as the agents of the  
20 dealers, distributors, supervisors or employers under whom they operate or  
21 from whom they obtain the tangible personal property sold by them, whether in  
22 making sales on their own behalf or on behalf of the dealers, distributors,  
23 supervisors or employers.

24          13. "Sale" means any transfer of title or possession, or both,  
25 exchange, barter, lease or rental, conditional or otherwise, in any manner or  
26 by any means whatever, including consignment transactions and auctions, of  
27 tangible personal property or other activities taxable under this chapter,  
28 for a consideration, and includes:

29          (a) Any transaction by which the possession of property is transferred  
30 but the seller retains the title as security for the payment of the price.

31          (b) Fabricating tangible personal property for consumers who furnish  
32 either directly or indirectly the materials used in the fabrication work.

33          (c) Furnishing, preparing or serving for a consideration any tangible  
34 personal property consumed on the premises of the person furnishing,  
35 preparing or serving the tangible personal property.

36          14. "Solar daylighting" means a device that is specifically designed to  
37 capture and redirect the visible portion of the solar beam, while controlling  
38 the infrared portion, for use in illuminating interior building spaces in  
39 lieu of artificial lighting.

40          15. "Solar energy device" means a system or series of mechanisms  
41 designed primarily to provide heating, to provide cooling, to produce  
42 electrical power, to produce mechanical power, to provide solar daylighting  
43 or to provide any combination of the foregoing by means of collecting and  
44 transferring solar generated energy into such uses either by active or  
45 passive means, including wind generator systems that produce electricity.

1 Solar energy systems may also have the capability of storing solar energy for  
2 future use. Passive systems shall clearly be designed as a solar energy  
3 device, such as a trombe wall, and not merely as a part of a normal  
4 structure, such as a window.

5 16. "Tangible personal property" means personal property which may be  
6 seen, weighed, measured, felt or touched or is in any other manner  
7 perceptible to the senses.

8 17. "Tax year" or "taxable year" means either the calendar year or the  
9 taxpayer's fiscal year, if permission is obtained from the department to use  
10 a fiscal year as the tax period instead of the calendar year.

11 18. "Taxpayer" means any person who is liable for any tax which is  
12 imposed by this article.

13 19. "Wholesaler" or "jobber" means any person who sells tangible  
14 personal property for resale and not for consumption by the purchaser.

15 Sec. 4. Section 42-5029, Arizona Revised Statutes, is amended to read:

16 42-5029. Remission and distribution of monies; definition

17 A. The department shall deposit, pursuant to sections 35-146 and  
18 35-147, all revenues collected under this article and articles 4, 5, 8 and 9  
19 of this chapter pursuant to section 42-1116, separately accounting for:

20 1. Payments of estimated tax under section 42-5014, subsection D.

21 2. Revenues collected pursuant to section 42-5070.

22 3. Revenues collected under this article and article 5 of this chapter  
23 from and after June 30, 2000 from sources located on Indian reservations in  
24 this state.

25 4. Revenues collected pursuant to section 42-5010, subsection G and  
26 section 42-5155, subsection D.

27 5. REVENUES COLLECTED ON THE VALUE OF MOTOR VEHICLES THAT ARE TRADED  
28 IN ON THE PURCHASE PRICE OF ANOTHER MOTOR VEHICLE AS PROVIDED BY SECTION  
29 42-5001, PARAGRAPH 6.

30 B. The department shall credit payments of estimated tax to an  
31 estimated tax clearing account and each month shall transfer all monies in  
32 the estimated tax clearing account to a fund designated as the transaction  
33 privilege and severance tax clearing account. The department shall credit  
34 all other payments to the transaction privilege and severance tax clearing  
35 account, separately accounting for the monies designated as distribution base  
36 under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month  
37 the department shall report to the state treasurer the amount of monies  
38 collected pursuant to this article and articles 4, 5, 8 and 9 of this  
39 chapter.

40 C. On notification by the department, the state treasurer shall  
41 distribute the monies deposited in the transaction privilege and severance  
42 tax clearing account in the manner prescribed by this section and by sections  
43 42-5164, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against  
44 the account pursuant to sections 42-1118 and 42-1254.

45 D. Of the monies designated as distribution base the department shall:

1           1. Pay twenty-five per cent to the various incorporated municipalities  
2 in this state in proportion to their population to be used by the  
3 municipalities for any municipal purpose.

4           2. Pay 38.08 per cent to the counties in this state by averaging the  
5 following proportions:

6           (a) The proportion that the population of each county bears to the  
7 total state population.

8           (b) The proportion that the distribution base monies collected during  
9 the calendar month in each county under this article, section 42-5164,  
10 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409  
11 bear to the total distribution base monies collected under this article,  
12 section 42-5164, subsection B, section 42-5205, subsection B and sections  
13 42-5353 and 42-5409 throughout the state for the calendar month.

14          3. Pay an additional 2.43 per cent to the counties in this state as  
15 follows:

16          (a) Average the following proportions:

17           (i) The proportion that the assessed valuation used to determine  
18 secondary property taxes of each county, after deducting that part of the  
19 assessed valuation that is exempt from taxation at the beginning of the month  
20 for which the amount is to be paid, bears to the total assessed valuations  
21 used to determine secondary property taxes of all the counties after  
22 deducting that portion of the assessed valuations that is exempt from  
23 taxation at the beginning of the month for which the amount is to be paid.  
24 Property of a city or town that is not within or contiguous to the municipal  
25 corporate boundaries and from which water is or may be withdrawn or diverted  
26 and transported for use on other property is considered to be taxable  
27 property in the county for purposes of determining assessed valuation in the  
28 county under this item.

29           (ii) The proportion that the distribution base monies collected during  
30 the calendar month in each county under this article, section 42-5164,  
31 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409  
32 bear to the total distribution base monies collected under this article,  
33 section 42-5164, subsection B, section 42-5205, subsection B and sections  
34 42-5353 and 42-5409 throughout the state for the calendar month.

35          (b) If the proportion computed under subdivision (a) of this paragraph  
36 for any county is greater than the proportion computed under paragraph 2 of  
37 this subsection, the department shall compute the difference between the  
38 amount distributed to that county under paragraph 2 of this subsection and  
39 the amount that would have been distributed under paragraph 2 of this  
40 subsection using the proportion computed under subdivision (a) of this  
41 paragraph and shall pay that difference to the county from the amount  
42 available for distribution under this paragraph. Any monies remaining after  
43 all payments under this subdivision shall be distributed among the counties  
44 according to the proportions computed under paragraph 2 of this subsection.

1           4. After any distributions required by sections 42-5030, 42-5030.01,  
2 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water  
3 quality assurance revolving fund as required by section 49-282, subsection B,  
4 credit the remainder of the monies designated as distribution base to the  
5 state general fund. From this amount:

6           (a) The legislature shall annually appropriate to:

7           (i) The department of revenue sufficient monies to administer and  
8 enforce this article and articles 5, 8 and 9 of this chapter.

9           (ii) The department of economic security monies to be used for the  
10 purposes stated in title 46, chapter 1.

11           (iii) The Arizona arts endowment fund established by section 41-986,  
12 the full amount by which revenues derived from the amusement classification  
13 pursuant to section 42-5073 for the current fiscal year exceed the revenues  
14 that were derived from that classification in fiscal year 1993-1994, except  
15 that this amount shall not exceed two million dollars through fiscal year  
16 2008-2009.

17           (iv) The firearms safety and ranges fund established by section  
18 17-273, fifty thousand dollars derived from the taxes collected from the  
19 retail classification pursuant to section 42-5061 for the current fiscal  
20 year.

21           (b) The state treasurer shall transfer to the tourism fund an amount  
22 equal to the sum of the following:

23           (i) Three and one-half per cent of the gross revenues derived from the  
24 transient lodging classification pursuant to section 42-5070 during the  
25 preceding fiscal year.

26           (ii) Three per cent of the gross revenues derived from the amusement  
27 classification pursuant to section 42-5073 during the preceding fiscal year.

28           (iii) Two per cent of the gross revenues derived from the restaurant  
29 classification pursuant to section 42-5074 during the preceding fiscal year.

30           (c) THE STATE TREASURER SHALL TRANSFER TO THE PUBLIC SAFETY  
31 ENHANCEMENT FUND ESTABLISHED BY SECTION 41-1720 THE AMOUNT THAT IS SEPARATELY  
32 ACCOUNTED FOR PURSUANT TO SUBSECTION A, PARAGRAPH 5 OF THIS SECTION.

33           E. If approved by the qualified electors voting at a statewide general  
34 election, all monies collected pursuant to section 42-5010, subsection G and  
35 section 42-5155, subsection D shall be distributed each fiscal year pursuant  
36 to this subsection. The monies distributed pursuant to this subsection are  
37 in addition to any other appropriation, transfer or other allocation of  
38 public or private monies from any other source and shall not supplant,  
39 replace or cause a reduction in other school district, charter school,  
40 university or community college funding sources. The monies shall be  
41 distributed as follows:

42           1. If there are outstanding state school facilities revenue bonds  
43 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the  
44 amount that is necessary to pay the fiscal year's debt service on outstanding  
45 state school improvement revenue bonds for the current fiscal year shall be



transferred each month to the school improvement revenue bond debt service fund established by section 15-2084. The total amount of bonds for which these monies may be allocated for the payment of debt service shall not exceed a principal amount of eight hundred million dollars exclusive of refunding bonds and other refinancing obligations.

2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent of the remaining monies collected during the preceding month shall be transferred to the technology and research initiative fund established by section 15-1648 to be distributed among the universities for the purpose of investment in technology and research-based initiatives.

3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent of the remaining monies collected during the preceding month shall be transferred to the workforce development account established in each community college district pursuant to section 15-1472 for the purpose of investment in workforce development programs.

4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the amount a community college that is owned, operated or chartered by a qualifying Indian tribe on its own Indian reservation would receive pursuant to section 15-1472, subsection D, paragraph 2 if it were a community college district shall be distributed each month to the treasurer or other designated depository of a qualifying Indian tribe. Monies distributed pursuant to this paragraph are for the exclusive purpose of providing support to one or more community colleges owned, operated or chartered by a qualifying Indian tribe and shall be used in a manner consistent with section 15-1472, subsection B. For purposes of this paragraph, "qualifying Indian tribe" has the same meaning as defined in section 42-5031.01, subsection D.

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the following amounts shall be transferred each month to the department of education for the increased cost of basic state aid under section 15-971 due to added school days and associated teacher salary increases enacted in 2000:

- (a) In fiscal year 2001-2002, \$15,305,900.
- (b) In fiscal year 2002-2003, \$31,530,100.
- (c) In fiscal year 2003-2004, \$48,727,700.
- (d) In fiscal year 2004-2005, \$66,957,200.
- (e) In fiscal year 2005-2006 and each fiscal year thereafter, \$86,280,500.

6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven million eight hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the department of education to be used for school safety as provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal year, to be paid in

1 monthly installments to the department of education to be used for the  
2 character education matching grant program as provided in section 15-154.01.

3 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
4 subsection, no more than seven million dollars may be appropriated by the  
5 legislature each fiscal year to the department of education to be used for  
6 accountability purposes as described in section 15-241 and title 15, chapter  
7 9, article 8.

8 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
9 subsection, one million five hundred thousand dollars is appropriated each  
10 fiscal year, to be paid in monthly installments, to the failing schools  
11 tutoring fund established by section 15-241.

12 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this  
13 subsection, twenty-five million dollars shall be transferred each fiscal year  
14 to the state general fund to reimburse the general fund for the cost of the  
15 income tax credit allowed by section 43-1072.01.

16 10. After the payment of monies pursuant to paragraphs 1 through 9 of  
17 this subsection, the remaining monies collected during the preceding month  
18 shall be transferred to the classroom site fund established by section  
19 15-977. The monies shall be allocated as follows in the manner prescribed by  
20 section 15-977:

21 (a) Forty per cent shall be allocated for teacher compensation based  
22 on performance.

23 (b) Twenty per cent shall be allocated for increases in teacher base  
24 compensation and employee related expenses.

25 (c) Forty per cent shall be allocated for maintenance and operation  
26 purposes.

27 F. The department shall credit the remainder of the monies in the  
28 transaction privilege and severance tax clearing account to the state general  
29 fund, subject to any distribution required by section 42-5030.01.

30 G. Notwithstanding subsection D of this section, if a court of  
31 competent jurisdiction finally determines that tax monies distributed under  
32 this section were illegally collected under this article or articles 5, 8 and  
33 9 of this chapter and orders the monies to be refunded to the taxpayer, the  
34 department shall compute the amount of such monies that was distributed to  
35 each city, town and county under this section. The department shall notify  
36 the state treasurer of that amount plus the proportionate share of additional  
37 allocated costs required to be paid to the taxpayer. Each city's, town's and  
38 county's proportionate share of the costs shall be based on the amount of the  
39 original tax payment each municipality and county received. Each month the  
40 state treasurer shall reduce the amount otherwise distributable to the city,  
41 town and county under this section by one thirty-sixth of the total amount to  
42 be recovered from the city, town or county until the total amount has been  
43 recovered, but the monthly reduction for any city, town or county shall not  
44 exceed ten per cent of the full monthly distribution to that entity. The  
45 reduction shall begin for the first calendar month after the final

1 disposition of the case and shall continue until the total amount, including  
2 interest and costs, has been recovered.

3 H. On receiving a certificate of default from the greater Arizona  
4 development authority pursuant to section 41-1554.06 or 41-1554.07 and to the  
5 extent not otherwise expressly prohibited by law, the state treasurer shall  
6 withhold from the next succeeding distribution of monies pursuant to this  
7 section due to the defaulting political subdivision the amount specified in  
8 the certificate of default and immediately deposit the amount withheld in the  
9 greater Arizona development authority revolving fund. The state treasurer  
10 shall continue to withhold and deposit the monies until the greater Arizona  
11 development authority certifies to the state treasurer that the default has  
12 been cured. In no event may the state treasurer withhold any amount that the  
13 defaulting political subdivision certifies to the state treasurer and the  
14 authority as being necessary to make any required deposits then due for the  
15 payment of principal and interest on bonds of the political subdivision that  
16 were issued before the date of the loan repayment agreement or bonds and that  
17 have been secured by a pledge of distributions made pursuant to this section.

18 I. Except as provided by sections 42-5033 and 42-5033.01, the  
19 population of a county, city or town as determined by the most recent United  
20 States decennial census plus any revisions to the decennial census certified  
21 by the United States bureau of the census shall be used as the basis for  
22 apportioning monies pursuant to subsection D of this section.

23 J. For the purposes of this section, "community college district"  
24 means a community college district **THAT IS** established pursuant to sections  
25 15-1402 and 15-1403 **AND** that is a political subdivision of this state.

26 Sec. 5. Requirements for enactment; two-thirds vote

27 Pursuant to article IX, section 22, Constitution of Arizona, this act  
28 is effective only on the affirmative vote of at least two-thirds of the  
29 members of each house of the legislature and is effective immediately on the  
30 signature of the governor or, if the governor vetoes this act, on the  
31 subsequent affirmative vote of at least three-fourths of the members of each  
32 house of the legislature.